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THE CONGRESSIONAL BUDGET PROCESS

AN EXPLANATION

COMMITTEE ON THE BUDGET

UNITED STATES SENATE

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FOREWORD

The Congressional Budget and Impoundment Control Act of 1974 (Public Law 93–344; the "Budget Act") and the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99–177; "Gramm-Rudman-Hollings"), as amended by the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 (Public Law 100–119; the "1987 Reaffirmation Act"), have become two of the most important laws affecting Congress' legislative agenda. Because of the increasing importance of the budget process, the Budget Committee has received numerous inquiries for information about the operation of the Budget Act and Gramm-Rudman-Hollings.

This committee print provides a general explanation of the budget process (including the effect of the revised Gramm-Rudman-Hollings procedures), a historical table of action on budget resolutions, examples of budget resolution language, and a glossary of budget terms.

Nothing in this volume represents the views of the Budget Committee or any of its members.

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INTRODUCTION

The Constitution gives Congress the power to allocate the resources of the Federal Government. In order to accomplish this task, Congress has developed three fiscal processes. First, Congress has an *authorization* process that establishes Federal tax laws and creates Federal programs to respond to national needs. The Senate has 16 authorizing committees and the House has 19 authorizing committees that have jurisdiction over particular areas of national concern.

The second process is known as the *appropriations* process. While the authorizing committees establish Federal programs, the Appropriations Committee in each House of Congress fund those programs.

The third—and newest—fiscal process in Congress is the congressional *budget* process. Under this process, Congress annually establishes an overall fiscal policy on how much total spending and revenues ought to be and how total spending should be divided among the major functions of government such as defense, agriculture, health, and so forth. Gramm-Rudman-Hollings and the 1987 Reaffirmation Act provide for expanded budget procedures. This publication provides a general explanation of why we have a congressional budget process and how it functions.

WHY HAVE A CONGRESSIONAL BUDGET PROCESS?

The Budget Act established the congressional budget process. Two developments provided the impetus for the enactment of this legislation.

One development was an increasing realization in the Congress that it had no means to develop an overall budget plan. Prior to 1974, Congress each year received the President's budget containing the President's many spending and revenue proposals and then proceeded to act on those proposals individually. There existed no means for the Congress to establish its own total spending and revenue levels or broad spending priorities to serve as guidelines for both Houses to follow as they worked on specific spending and revenue bills during the spring and summer.

A more immediate cause for the Budget Act was a dispute in the early 1970s over presidential authority to impound money appropriated by Congress. President Nixon asserted authority to with-

hold from Federal agencies money appropriated by Congress. Many in Congress disputed this authority.

These factors led Members of Congress to study the problem, and in 1974 Congress enacted the Budget Act to establish procedures for developing an annual congressional budget plan and to achieve a system of impoundment control.

NEW INSTITUTIONS CREATED IN 1974

In order to implement the congressional budget process, the Budget Act created the Senate and House Budget Committees and the Congressional Budget Office.

The Budget Committees of the Senate and House were given the authority to draft Congress' annual budget plan for the Federal Government for consideration by the full Senate and House. Unlike the authorizing and appropriating committees, which focus on individual Federal programs, the Budget Committees focus on the Federal budget as a whole and how it affects the national economy. In this way, the Budget Act created congressional institutions whose unique concern is Federal budgetary policy.

The Congressional Budget Office (CBO) supports the congressional budget process by providing economic and program analyses and cost information on existing and proposed Federal programs. The Budget Committees are major users of such information, along with other committees and Members of Congress who are involved in the budget process. The framers of the Budget Act saw a need to provide the Congress with its own independent, nonpartisan budget professionals similar to those who serve the President in his Office of Management and Budget (OMB).

HOW THE PROCESS WORKS

The Fiscal Year

In order to keep track of its revenues and expenditures in an orderly way, the Federal Government has established a 12-month period known as the "fiscal year." Prior to the Budget Act, the Federal Government's fiscal year had been July 1 through June 30. In 1976, however, the fiscal year was shifted forward to October 1 through September 30 in order to allow sufficient time for the new congressional budget process. While reading about the various steps of the congressional budget process, keep October 1 in mind as a target for completion of each year's budget process.

The fiscal year is designated by the calendar year in which it ends. Thus, the period from October 1, 1987, to September 30, 1988, is fiscal year 1988.

January: Receipt of the President's Budget Request

The first thing Congress needs to know in building a budget is what the executive branch believes is appropriate to fund the operations of the Federal Government. The President is therefore required to submit to Congress in early January the Administration's budget request for the upcoming fiscal year that begins the following October 1. To meet this deadline, the Administration must begin preparing its budget request the prior spring and summer. For example, consider the budget process for fiscal year 1988. The President's budget request for fiscal year 1988 (October 1, 1987–September 30, 1988) was transmitted to Congress in early 1987. The Administration began working with Federal agencies to prepare its budget request for fiscal year 1988 in the spring of 1986, roughly a year-and-a-half prior to the start of fiscal year 1988.

The 1985 Gramm-Rudman-Hollings Act required that the President's budget not exceed specific maximum deficit levels, beginning in fiscal year 1986. The deficit was to be reduced over a period of 6 fiscal years and lead to a balanced budget in 1991. The 1987 Reaffirmation Act extended the zero target year to 1993 and modified the deficit reduction timetable. The 1987 Act maintains a $10 billion cushion for fiscal year 1988 through fiscal year 1992 but not for fiscal year 1993. It establishes fixed deficit targets for fiscal year 1990 through fiscal year 1993 only. Although the Reaffirmation Act set out a $144 billion target for fiscal year 1988, it is not binding. Rather, deficit cuts totaling $23 billion must be made regardless of the fixed target. In fiscal year 1989, the deficit either must be cut to reach that fixed target or be reduced by $36 billion.

The following table compares the maximum deficit amounts in the 1985 Gramm-Rudman-Hollings Act and the 1987 Reaffirmation Act:

[In billions of dollars]

	Original target	Revised target
Fiscal year:		
1986	171.9	171.9
1987	144	144
1988	108	144
1989	72	136
1990	36	100
1991	0	64
1992		28
1993		0

February: Budget Committee Hearings, Committee Views, and CBO Report

After receiving the President's budget request, the Senate and House Budget Committees hold hearings at which they receive testimony from Administration officials, experts from academic and

business communities, representatives of national organizations, Members of Congress, and the general public. During the same period, the other committees of Congress review the President's budget and transmit to the Budget Committees by February 25 their "views and estimates" on appropriate spending or revenue levels for programs in their jurisdiction. In addition, during February, CBO sends to the Budget Committees its annual reports analyzing the President's request, budgetary options, and the economic outlook.

March: Budget Committees Draft Budget Resolutions

The Senate and House Budget Committees—using the President's budget request, information from their hearings, views and estimates from other committees, and CBO's reports—each draft a congressional budget plan during March in a series of public committee meetings called "mark-ups." The budget plan is known as the concurrent resolution on the budget or budget resolution.

Budget resolutions set forth budgetary levels for the upcoming fiscal year and planning levels for the following 2 fiscal years. Three basic parts make up a budget resolution: (1) budget totals, (2) spending broken down by budget function, and (3) reconciliation. The budget totals set forth what the Congress considers to be the appropriate amounts for total spending, total revenues, and the resulting deficit or surplus. In setting these budget totals, Congress considers the impact of the Federal budget on the national economy and establishes Federal fiscal policy for the coming fiscal year.

Federal spending broken down by function—the second basic part of the budget resolution—gives the Congress a mechanism for establishing Federal spending priorities. The budget resolution accomplishes this by dividing up Federal spending among 21 different classifications such as national defense, agriculture, and health. These classifications, known as "budget functions," provide the Congress with a means of allocating Federal resources among broad categories of spending.

In addition to budget totals and spending by function, budget resolutions include a procedure known as "reconciliation" directing committees to change existing law. Under this procedure, the Congress directs its committees to report legislation by a certain date that decreases spending or increases revenues by a specified amount by making changes in laws within the committees' respective jurisdictions. (Congress could also use reconciliation to increase spending or decrease revenues, but that occurs very infrequently.) After the committees have reported their recommendations to the Budget Committees, the Budget Committees package the committee-reported reconciliation legislation together and the Congress considers it as a single reconciliation bill. Any Member of the Senate or House may object to any amendment to a reconciliation bill that would cause deficit levels to increase. If an amendment is objected to, it cannot be considered absent a waiver of budgetary rules.

In recent years, reconciliation has become a major component of several budget resolutions. For example, reconciliation provides Congress with a mechanism to achieve reduced spending for entitlement programs as part of its budget plan. This is difficult to do simply by assuming lower entitlement spending levels in the budget resolution because entitlement laws require the Government to pay specified benefits to qualifying individuals unless Congress changes those entitlement laws. The number of people qualifying for benefits—not annual appropriations decisions—determines the amount of money needed to fund an entitlement for a given year. Reconciliation therefore helps the Congress to achieve its budget plan savings from entitlement programs by instructing committees to change existing entitlement laws. This is especially useful because entitlements comprise about one-half of the Federal budget.

April 15: Congress Adopts a Budget Resolution

When the Budget Committees complete action on formulating a budget resolution, they report their respective resolutions to the full Senate and full House. All Members of the Senate and House then have an opportunity to alter the work of the Budget Committees by offering amendments to the budget resolution as it is debated on the Senate or the House floor.

Under the revised Gramm-Rudman-Hollings procedures, the budget resolution must conform to the same maximum deficit amounts for fiscal years 1988 through 1993 as the President's budget. Any Member of the Senate or House may object to any budget resolution, or amendment to a budget resolution, that would cause the deficit to exceed those levels. If a budget resolution or amendment to a budget resolution is objected to, it cannot be considered absent a waiver of budgetary rules.

When the Senate and House have both passed their respective versions of the budget resolution, they appoint several of their Members to a conference committee to resolve the differences between the Senate- and House-passed resolutions. When differences have been resolved, each chamber must then vote on the compromise version of the budget resolution, which also must conform to the maximum deficit amounts. The Budget Act sets April 15 as the date for completion of this work, although no penalty exists for completing the process later.

Because the budget resolution is designed solely to guide *Congress* in its detailed deliberations on the budget, it is in the form of a *concurrent* resolution which is agreed to by both Houses but is *not* a public law and is not signed by the President.

April-September: Spending and Revenue Bills and Reconciliation

After Congress has adopted a budget plan, it proceeds to work on specific spending and revenue measures, and any reconciliation legislation mandated by the budget plan. Under the Budget Act timetable, Congress should complete action on reconciliation legislation by June 15. Action on annual appropriation bills is to be completed

in the House by June 30 and in the Senate by the start of the fiscal year (October 1). In the past, action on appropriations bills has not always been completed by October 1, necessitating the passage of a "continuing resolution" to provide appropriations on a temporary basis until the regular appropriations bills are enacted. A continuing resolution is a form of appropriation bill and should not be confused with the budget resolution.

Because action on spending measures begins in committees, the budget process must have a way of translating the total spending levels in the budget plan into guidelines for the committees. The budget process accomplishes this by allocating the spending in the budget resolution among the committees. Each committee therefore ends up with an overall level for the spending within its jurisdiction that is consistent with the congressional budget plan. Committees then subdivide their allocations among their subcommittees or programs within their jurisdiction. This procedure of allocating the budget plan's spending levels among the spending committees is known informally as "crosswalking." Committee crosswalks for both the House and Senate are set out initially in the report accompanying the budget resolution of each House, and finally in the report of the conference committee on the budget resolution.

The allocations under the budget resolution and sub-allocations by the committees allow the full Senate and House, as they debate and adopt individual spending bills, to determine whether or not the bill they are debating fits within the budget plan. During consideration of spending bills, any Member of the Senate or House may object to any bill or amendment thereto that would exceed the relevant sub-allocations made by a committee. If a spending bill is objected to, it cannot be considered absent a waiver of budgetary rules.

In similar fashion, the revenue floor in the budget resolution serves as a guide to the Senate Finance Committee and the House Ways and Means Committee (the congressional taxwriting committees) as they proceed with bills to raise or lower taxes.

During the spring and summer months, as Congress works on spending and revenue measures and reconciliation legislation for the upcoming fiscal year, the levels set in the budget resolution stand as constraints on congressional action. In the Senate, any Senator can object to legislation that would cause the spending ceilings or revenue floor to be breached or that would cause the maximum deficit amount for that year to be exceeded. The House has similar prohibitions on exceeding the budget resolution totals, with certain exceptions.

If changing economic circumstances or policy requirements dictate, the Congress may revise its budget resolution during the fiscal year, thereby altering the spending and revenue totals. While this may be done at any time during the fiscal year, the Congress generally has followed the practice of revising the budget plan for the current fiscal year as part of the budget resolution for the upcoming fiscal year. For example, the budget resolution for fiscal year 1986 also revised the budget totals for fiscal year 1985.

ENFORCEMENT OF MAXIMUM DEFICIT AMOUNTS

Gramm-Rudman-Hollings (as amended by the 1987 Reaffirmation Act) establishes special procedures to enforce the maximum deficit amounts for fiscal years 1988 through 1993.

Assessing the Deficit and Calculating Spending Reductions

On August 15, the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) independently estimate the deficit for the upcoming fiscal year. CBO reports its estimate to OMB and Congress on August 20. If CBO's estimated deficit exceeds the maximum deficit amount for the upcoming fiscal year by more than $10 billion (zero in the case of fiscal year 1993), the CBO report will calculate spending reductions in non-exempt defense and non-defense programs to eliminate the entire deficit excess down to the maximum deficit amount.

OMB will issue a report to the President and Congress on August 25 providing its own deficit estimate and sequester calculations (if necessary). This report will become the basis for the President's initial sequester order, which is issued the same day. OMB is required to explain its differences with the CBO report.

Both CBO and OMB use the following formula in determining the required spending reductions.

DEFICIT REDUCTION FORMULA

First, the amount by which the estimated deficit exceeds the maximum deficit amount for the fiscal year is calculated. One-half of the deficit excess must come from defense programs and one-half from non-defense programs.

Second, the total amount of outlay savings from eliminating automatic spending increases is calculated. Provided that the resulting savings are not more than one-half of the total required reduction, the automatic increases are eliminated.

The 1985 Gramm-Rudman-Hollings Act included as subject to sequestration many indexed retirement and disability programs. These programs were later exempted from sequestration by the Omnibus Budget Reconciliation Act of 1986. Currently this procedure only applies to the automatic spending increases in three specific programs—the National Wool Act, the special milk program, and vocational rehabilitation.

Third, the amount of outlay savings to be obtained by applying three special rules to certain programs is calculated. These special rules are for guaranteed student loans, foster care and adoption assistance, and are described in Appendix VIII of this report. (There are a number of special rules for other programs, such as the Commodity Credit Corporation, but they do not enter into the calculations at this step. They are also described in Appendix VIII of this

report.) The estimated savings from these special rules are applied toward the required spending reductions in non-defense programs.

Additional non-defense reductions are made by reducing uniformly other programs except that a large number of programs (listed in Appendix VIII) are exempted from cuts under a sequester.

The uniform reduction percentages are computed by dividing the remaining required outlay savings in non-defense spending by the estimated outlays associated with non-exempt budgetary resources in each category. These uniform percentages are then applied to all of the remaining non-exempt budgetary resources for non-defense programs. Medicare and certain other health programs may not be reduced by more than 2 percent.

The other half of the deficit excess must be sequestered from defense programs. The uniform reduction percentages for defense programs are computed similarly. The amount of required defense outlay savings is divided by the estimated outlays associated with defense budgetary resources (including new budget authority plus unobligated budget authority from prior years). Appendix IX explains in greater detail how uniform percentage reductions are to be applied.

Gramm-Rudman-Hollings permits the President to exempt military personnel accounts from sequestration. If the President chooses to exempt military personnel accounts, he must notify the Congress by August 15. If the President chooses this option the overall defense percentage reduction would be increased to meet the overall defense outlay reduction totals.

The President may use expedited procedures to propose further modifications to the percentage reduction in particular defense programs, projects, and activities specified in the final sequester order, according to the following conditions: (1) the President may propose that the amount sequestered from a program, project and activity be reduced so long as the equivalent amount be added to the amount sequestered from other defense programs, projects, and activities; (2) the total defense outlay amount reduced due to sequestration cannot be altered; (3) the presidential request cannot have the effect of increasing the amount of funds for a program, project, and activity in excess of the limit set by an appropriations act; and (4) no domestic military base can be closed. The President must submit to Congress by October 20 of the fiscal year concerned a report outlining his proposed changes. For these proposals to take effect, Congress must pass a joint resolution upholding or modifying them.

The 1985 Gramm-Rudman-Hollings Act required that OMB and CBO, having estimated the deficit for the upcoming fiscal year and having calculated any specified spending reductions, report their results to the Comptroller General by August 20.

If OMB and CBO were unable to agree on any calculations, the Act required that OMB and CBO jointly report the average to the

Comptroller General. The Comptroller General could then alter their estimates to the extent necessary to produce a single, consistent set of data that achieved the required deficit reduction. In July 1986, the United States Supreme Court declared the automatic deficit reduction process established by Gramm-Rudman-Hollings unconstitutional on the ground that it vested executive power in the Comptroller General, an officer removable by Congress. See *Bowsher v. Synar,* 106 S. Ct. 3181, 3192 (1986). Upon issuance of the Supreme Court's decision, a fallback procedure set forth in section 274(f) of Gramm-Rudman-Hollings became effective.

Under the fallback procedure, all of the amendments to the Budget Act as well as the special deficit reduction procedures established by Gramm-Rudman-Hollings remained unchanged, with one exception. Instead of OMB and CBO transmitting their August and October reports to the Comptroller General, the fallback procedure required that the joint report be transmitted to a Temporary Joint Committee (of Congress) on Deficit Reduction (TJC), which consists of the two Budget Committees. The Act required the TJC to report a joint resolution confirming the OMB–CBO report.

All of the provisions of the 1985 Gramm-Rudman-Hollings Act pertaining to a presidential order remained unchanged by the fallback procedure. The only change made was in how a presidential order is triggered, that is, by a joint resolution rather than the Comptroller General report.

The 1987 Reaffirmation Act addresses the ruling of the Supreme Court and, by assigning OMB the role formerly assigned to the Comptroller General, restores the automatic sequester for fiscal years 1988 through 1993.

Presidential Order Implementing Spending Reductions

If the OMB Director's report to the President estimates that the maximum deficit amount for the upcoming fiscal year will be exceeded by more than $10 billion (zero in the case of fiscal year 1993), the President is required to issue an order reducing spending to eliminate the entire deficit excess down to the maximum deficit amount. The reductions are based upon the reductions calculated in the OMB Director's report. The reductions contained in the President's order are applied at the program, project or activity level, as defined in the appropriations process, for those budget accounts that are subject to annual appropriations. For all other accounts, the reductions are applied at the budget activity level as contained in the President's budget.

The President issues an "initial order" on August 25 setting forth any required reductions. The initial order becomes effective on October 1, the start of the fiscal year. At this point any budgetary resources covered by the presidential order are withheld.

Revised Reports by OMB and CBO and the Final Presidential Order

On October 10, CBO issues a revised report to OMB and Congress on the estimated deficit for the fiscal year and any spending reduc-

tions required to eliminate the deficit excess as then calculated. This revised report is designed to reflect any congressional action since August on spending and revenue measures for the fiscal year. On October 15, the Director of OMB issues a revised report to the President. These reports are prepared using the same economic and technical assumptions as used for the initial reports.

On October 15, the President issues a final order making any spending reductions required by the Director of OMB's revised report. The final order takes effect immediately and cancels budgetary resources as required.

The President must issue an initial and final sequestration order even if the triggering procedures indicate that no reductions are required. (The orders would so state.) The President must also issue a detailed message, as a single document, to accompany both an initial and a final order. The President must submit to Congress the message accompanying an initial or final order within 15 days after issuing the order.

Compliance Report by the Comptroller General

On November 15, one month after the final presidential order is issued, the Comptroller General issues a "compliance report" on the extent to which the President's order complies with all the requirements of Gramm-Rudman-Hollings. The Comptroller General must certify that the order fully and accurately complies with such requirements or indicate where it fails to comply.

Alternative Congressional Plan

The presidential order can be modified or cancelled by a joint resolution of Congress if the Majority Leader of either House introduces such a measure within 10 calendar days of session after OMB has issued the revised report.

Gramm-Rudman-Hollings also sets forth procedures in the Senate for formulating a congressional alternative to a presidential reduction order. Procedures for the House of Representatives are not specified in the law because the House Rules Committee would stipulate appropriate procedures at the time it formulated an alternative. Development of a congressional alternative would normally occur during the October period following issuance of a presidential reduction order. The procedures established for the Senate are an accelerated form of reconciliation, which is already a well-established part of the congressional budget process.

Under this accelerated reconciliation procedure, Senate committees may submit to the Budget Committee their views on a congressional alternative, and the Budget Committee may report a resolution to the Senate affirming the presidential order or changing it in whole or in part. If any changes are recommended, the resolution must contain instructions to Senate committees to change laws under their jurisdictions to reduce spending sufficiently to achieve the required deficit reduction.

If the Senate adopts such a resolution, Senate committees receiving reconciliation instructions report their deficit reduction legislation to the Budget Committee. The Budget Committee then packages the legislation into a single reconciliation bill for consideration by the full Senate. Following passage of an alternative plan by the Senate and the House, differences would be ironed out in a Senate-House conference. Following passage of a conference agreement by the Senate and House, the alternative plan would require presidential signature to take effect, and supersede in whole or in part a presidential sequester order.

Special Provisions for an Economic Recession or Declared War

If the economy enters a recession, the Senate and House would automatically consider a resolution temporarily suspending for the remainder of the current fiscal year or for the next fiscal year or both: (1) the maximum deficit amounts; (2) budget resolution spending and revenue constraints; (3) the requirement for issuance of reports by OMB and CBO on deficit reduction and related matters; and (4) the requirement for issuance of a presidential reduction order (except that if an order has already been issued, it is allowed to stand). Any such suspension resolution passed by the Congress would have to be signed into law by the President.

Recession is defined, for these purposes, as (1) a *projection* by OMB or CBO that real economic growth will be less than zero with respect to two consecutive quarters during the six-quarter period beginning with the prior quarter; *or* (2) a report by the Department of Commerce that *actual* real economic growth for each of the previous two quarters was less than 1 percent.

A declaration of war by Congress automatically suspends the reporting of excess deficits by OMB and CBO, the requirement that budget resolutions comply with the maximum deficit amounts, and the requirement that amendments to reconciliation bills be deficit neutral.

IMPOUNDMENT CONTROL

As mentioned earlier in this publication, one cause for enactment of the Budget Act was a dispute in the early 1970s over presidential authority to impound money appropriated by the Congress. Title X of the Budget Act (known as the Impoundment Control Act) sets up legal procedures to prevent a recurrence of this dispute.

Under these procedures, the President may propose to defer using an amount of budget authority until later in the fiscal year or he may propose to rescind (cancel) an amount of budget authority altogether, but in either case he must notify the Congress. A deferral proposed by the President stands unless Congress passes a law disapproving the postponement. A rescission proposed by the President does not occur unless Congress passes a law approving the cancellation.

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The revised Gramm-Rudman-Hollings procedures for presidential deficit reduction orders are a temporary exception to Title X of the Budget Act, for fiscal years 1988 through 1993. As explained above, instead of proposing cancellation of budget authority to the Congress, Gramm-Rudman-Hollings requires the President in certain instances to cancel budgetary resources by presidential order.

IMPORTANT CHARACTERISTICS OF THE CONGRESSIONAL BUDGET PROCESS

The Process Is Congress' Own

The Budget Act established a new process and new institutions which enable the Congress to develop its own budget plan each year. The Congress is no longer limited to acting on the President's budget request on a piecemeal basis. Congressional budget resolutions allow the Congress to act on revenue or spending proposals within the framework of its own budget plan.

The Process Sets Parameters—Not Details

Budget resolutions set overall spending and revenue totals and broad spending priorities. The other committees of Congress work out the details of the spending and revenue bills, as they did prior to adoption of the Budget Act.

The Process Is Designed To Be Result Neutral

The Budget Act was not adopted to promote any particular fiscal policy or set of spending priorities. Rather, it is designed to give Congress the means to examine the budget as a whole and to establish whatever policies and priorities it wishes. The budget process is designed to work for any majority that develops.

The Process Is Public

Unlike formulation of the President's budget, the congressional budget process is developed in full public view. This is true of the Budget Committees' hearings and mark-ups, the Senate and House floor debates, and the conference meetings on budget resolutions and reconciliation bills.

BUDGET CONCEPTS

Federal Revenues

Federal revenues consist of the money taken in by the Government through exercise of its sovereign taxing power. This includes individual and corporate income taxes, social insurance taxes (such as social security payroll taxes), excise taxes, estate and gift taxes, customs duties, and the like.

Revenues do not include receipts received by the Federal Government for sale of products or services rendered (such as sale of

timber from Federal lands or entrance fees for national parks). Such receipts are netted against the Federal spending totals in the budget and are thus called "offsetting receipts."

Federal Spending

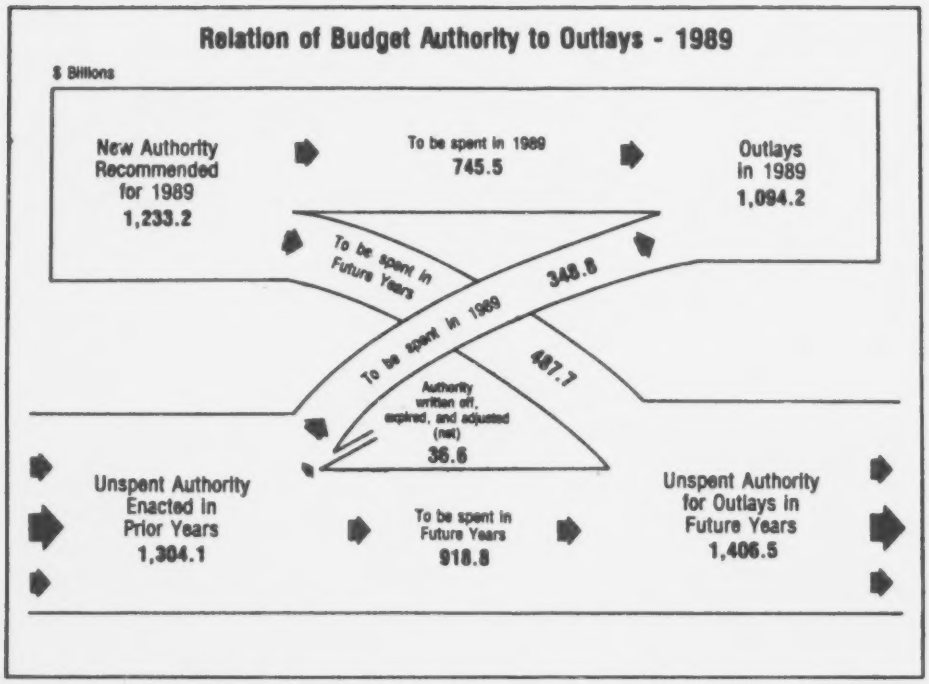
Spending levels in congressional budget resolutions consist of two types of numbers: *budget authority* and *outlays*. Outlays are disbursements by the Treasury. When the Treasury issues a check in fiscal year 1988, that is a fiscal year 1988 outlay. Budget authority, on the other hand, is legal authority for an agency to enter into obligations that will result in outlays. When Congress appropriates funds for a particular program, it is enacting budget authority—not outlays.

To illustrate the relationship of budget authority to outlays, assume that the Congress has decided to build a ship costing $1 billion. The Congress would appropriate $1 billion of new budget authority for a ship in the defense appropriation bill for the new fiscal year. This means that the Department of Defense has legal authority to enter into obligations totaling $1 billion during the new fiscal year. However, this budget authority will only result in outlays when the shipbuilders are issued checks by the Treasury. If the contractors are paid only upon completion of each stage of the construction, the $1 billion of budget authority could result in outlays over several years.

In other cases, new budget authority appropriated for a fiscal year results in outlays during the same fiscal year. An example of this is appropriations for salaries of Federal workers.

Figure 1 illustrates the overall relationship of budget authority to outlays. In this diagram taken from the President's fiscal year 1989 budget, $1.2332 trillion in new budget authority is requested for fiscal year 1989. It is estimated that this new authority to obligate the Federal Government during fiscal year 1989 would result in outlays of $745.5 billion in fiscal year 1989 and outlays of $487.7 billion in future years. The remaining $348.8 billion within the $1.0942 trillion in total outlays estimated for fiscal year 1989 comes from budget authority enacted in prior fiscal years.

FIGURE 1



Source: Office of Management and Budget.

The Budget Deficit and the Federal Debt

A budget deficit or surplus is calculated by figuring the difference between outlays and revenues for a given fiscal year. For example, in fiscal year 1987 revenues were $854.1 billion and outlays were $1,004.6 billion, yielding a budget deficit of $150.4 billion.

The Federal debt is the accumulated debt of the Federal Government. Whenever the Federal Government runs a budget deficit, the additional borrowing to finance the deficit *adds* to the Federal debt. By contrast, whenever the Federal Government runs a budget surplus, the Federal debt *decreases* because the Treasury can use the surplus to redeem some of the outstanding debt.

Federal law contains a statutory limit on the Federal debt, commonly called the debt ceiling. (The Federal debt ceiling applies to borrowing from the public plus Federal debt held by Federal Government accounts, particularly trust funds.) If the activities of the Government require a higher limit, Congress must enact a law to raise the debt ceiling. In September 1987, Congress extended the debt ceiling to $2.8 trillion.

Baseline

In order to formulate a budget resolution, the Senate and House Budget Committees must have a starting point. The starting point they most often use is a set of projections showing the levels of spending and revenues that would occur for the upcoming fiscal year and beyond if existing programs and policies are continued unchanged, with all programs adjusted so that existing levels of activity are maintained. (For example, for entitlement programs, the baseline adjusts for, among other things, the effects of inflation and demographic changes that alter the expected number of beneficiaries.) These projections are known as a "current policy" (or "current services") baseline. An alternative baseline that has been used by Congress from time to time adjusts programs for inflation only where required by law. This is usually called a "current law" baseline. In considering proposed levels of spending and revenues, Members of the Senate and House usually describe their proposals as being above, below, or equal to the baseline.

Major Types of Federal Spending

Members of the Senate and House sometimes propose budget plans that divide Federal spending into four conceptual components: entitlements, defense spending, non-defense discretionary spending, and interest payments.

Entitlements are laws that require the Government to pay specified benefits to qualifying individuals. The fundamental characteristic of an entitlement is the absence of annual decisions on funding levels. Instead, formulas included in laws establishing the entitlements determine how much money the Government has obligated itself to spend. For example, the Social Security laws set formulas under which retired workers receive benefits based on the length of time they have worked and their earnings. The cost of Social Security for a given fiscal year is thus determined by the number of qualifying retirees rather than by annual appropriations decisions. In this way entitlement programs are sometimes thought of as non-discretionary, since their funding requirements are determined by the legislation which set up the program and not by annual funding decisions.

By contrast, *non-defense discretionary spending* refers to those non-defense programs that are subject to annual funding decisions in the appropriations process. If the Congress decides to lower funding for a program of this type, it can simply reduce the annual appropriation. Unlike entitlement programs, no formulas need to be changed to alter funding levels.

Defense spending simply refers to Federal spending for the national defense. Nearly all defense spending is discretionary in nature.

Interest payments are payments to individuals, corporations, or other entities who hold notes that finance the Federal debt.

Offsetting receipts are income from the public that results from sale of products or services rendered (such as sale of timber from

Federal lands or entrance fees for national parks). Offsetting receipts are deducted from total budget authority and outlays rather than added to Federal revenues even though they are deposited in the Treasury as miscellaneous receipts.

Appendix I

HISTORICAL TABLE: BUDGET RESOLUTIONS

Fiscal year	First concurrent resolution adopted	Second concurrent resolution adopted
1976	May 14, 1975 (H. Con. Res. 218)	December 12, 1975 (H. Con. Res. 466).
1977	May 13, 1976 (S. Con. Res. 109)	September 16, 1976 (S. Con. Res. 139).[1]
1978	May 17, 1977 (S. Con. Res. 19)	September 15, 1977 (H. Con. Res. 341).
1979	May 17, 1978 (S. Con. Res. 80)	September 23, 1978 (H. Con. Res. 683).
1980	May 24, 1979 (H. Con. Res. 107)	November 28, 1979 (S. Con. Res. 53; replaced S. Con. Res. 36).
1981	June 12, 1980 (H. Con. Res. 307)	November 20, 1980 (H. Con. Res. 448).
1982	May 21, 1981 (H. Con. Res. 115)	December 10, 1981 (S. Con. Res. 50).
1983	June 23, 1982 (S. Con. Res. 92)	([2])
1984	June 23, 1983 (H. Con. Res. 91)	([2])
1985	October 1, 1984 (H. Con. Res. 280).	([2])
1986	August 1, 1985 (S. Con. Res. 32)	([2])
1987	May 15, 1986 (H. Con. Res. 337)	([3])
1988	June 25, 1987 (H. Con. Res. 93)	([3])

[1] Congress adopted a third concurrent resolution on the budget for FY 1977 on Mar. 3, 1977 (S. Con. Res. 10).

[2] As originally enacted, the Budget Act required a first and a second concurrent resolution on the budget for each fiscal year. The first budget resolution spending and revenue totals served only as targets for congressional action on spending and revenue bills. Spending and revenue totals were not to be binding (that is, subjecting legislation breaching the totals to points of order) until adoption of a second budget resolution. Beginning with fiscal year 1983, Congress discontinued the formulation of second budget resolutions and made first budget resolution totals binding with the start of the fiscal year on October 1.

[3] Beginning with fiscal year 1987, Gramm-Rudman-Hollings makes the budget resolution totals immediately binding upon adoption of the one budget resolution each spring.

HISTORICAL TABLE: RECONCILIATION BILLS

Reconciliation bills	Passed by Congress
Omnibus Reconciliation Act of 1980	December 3, 1980 (P.L. 96–499).
Omnibus Budget Reconciliation Act of 1981	July 31, 1981 (P.L. 97–35).
Omnibus Budget Reconciliation Act of 1982	August 18, 1982 (P.L. 97–253).
Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA).	August 19, 1982 (P.L. 97–248).
Omnibus Budget Reconciliation Act of 1983	April 5, 1984 (P.L. 98–270).
Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).	April 7, 1986 (P.L. 99–272).
Omnibus Budget Reconciliation Act of 1986	October 21, 1986 (P.L. 99–509).
Omnibus Budget Reconciliation Act of 1987	December 22, 1987 (P.L. 100–203).

Appendix II

EXAMPLE OF BUDGET RESOLUTION TOTALS

That the Congress hereby determines and declares that the concurrent resolution on the budget for fiscal year 1988 is established and the appropriate budgetary levels for fiscal years 1989 and 1990 are set forth.

MAXIMUM DEFICIT AMOUNTS

SEC. 2. The following levels and amounts in this section are set forth for purposes of determining in accordance with section 301(i) of the Congressional Budget and Impoundment Control Act of 1974, as amended by the Balanced Budget and Emergency Deficit Control Act of 1985, whether the maximum deficit amount for a fiscal year has been exceeded, and as set forth in this concurrent resolution, shall be considered to be mathematically consistent with the other amounts and levels set forth in this concurrent resolution:

(1) The recommended levels of Federal revenues are as follows:
Fiscal year 1988: $932,800,000,000.
Fiscal year 1989: $993,950,000,000.
Fiscal year 1990: $1,066,750,000,000.

(2) The appropriate levels of total budget authority are as follows:
Fiscal year 1988: $1,153,200,000,000.
Fiscal year 1989: $1,217,900,000,000.
Fiscal year 1990: $1,261,600,000,000.

(3) The appropriate levels of total budget outlays are as follows:
Fiscal year 1988: $1,040,800,000,000.
Fiscal year 1989: $1,083,850,000,000.
Fiscal year 1990: $1,117,050,000,000.

(4) The amounts of the deficits are as follows:
Fiscal year 1988: $108,000,000,000.
Fiscal year 1989: $89,900,000,000.
Fiscal year 1990: $50,300,000,000.

RECOMMENDED LEVELS AND AMOUNTS

SEC. 3. (a) The following budgetary levels are appropriate for the fiscal years beginning on October 1, 1987, October 1, 1988, and October 1, 1989:

(1) The recommended levels of Federal revenues are as follows:
Fiscal year 1988: $692,300,000,000.
Fiscal year 1989: $732,300,000,000.
Fiscal year 1990: $779,800,000,000.

and the amounts by which the aggregate levels of Federal revenues should be increased are as follows:
Fiscal year 1988: $21,150,000,000.
Fiscal year 1989: $24,950,000,000.
Fiscal year 1990: $26,100,000,000.

and the amounts for Federal Insurance Contributions Act revenues for hospital insurance within the recommended levels of Federal revenues are as follows:
Fiscal year 1988: $59,700,000,000.
Fiscal year 1989: $63,850,000,000.
Fiscal year 1990: $68,950,000,000.

(2) The appropriate levels of total new budget authority are as follows:
Fiscal year 1988: $912,700,000,000.
Fiscal year 1989: $956,100,000,000.
Fiscal year 1990: $974,300,000,000.

(3) The appropriate levels of total budget outlays are as follows:
Fiscal year 1988: $836,200,000,000.
Fiscal year 1989: $868,200,000,000.
Fiscal year 1990: $888,300,000,000.

(4) The amounts of the deficits are as follows:
Fiscal year 1988: $144,000,000,000.
Fiscal year 1989: $135,800,000,000.
Fiscal year 1990: $108,500,000,000.

(5) The appropriate levels of the public debt are as follows:
Fiscal year 1988: $2,565,100,000,000.
Fiscal year 1989: $2,777,100,000,000.
Fiscal year 1990: $2,964,200,000,000.

(6) The appropriate levels of total Federal credit activity for the fiscal years beginning on October 1, 1987, October 1, 1988, and October 1, 1989, are as follows:

Fiscal year 1988:
(A) New direct loan obligations, $34,600,000,000.
(B) New primary loan guarantee commitments, $156,700,000,000.
(C) New secondary loan guarantee commitments, $100,600,000,000.

Fiscal year 1989:
(A) New direct loan obligations, $33,550,000,000.
(B) New primary loan guarantee commitments, $150,550,000,000.
(C) New secondary loan guarantee commitments, $97,600,000,000.

Fiscal year 1990:
(A) New direct loan obligations, $32,450,000,000.
(B) New primary loan guarantee commitments, $158,300,000,000.
(C) New secondary loan guarantee commitments, $94,600,000,000.

Appendix III

BUDGET FUNCTIONS

050: National Defense

150: International Affairs

250: General Science, Space, and Technology

270: Energy

300: Natural Resources and Environment

350: Agriculture

370: Commerce and Housing Credit

400: Transportation

450: Community and Regional Development

500: Education, Training, Employment, and Social Services

550: Health

570: Medicare

600: Income Security

650: Social Security [1]

700: Veterans Benefits and Services

750: Administration of Justice

800: General Government

870: Central Federal Credit Activities

900: Net Interest

920: Allowances

950: Undistributed Offsetting Receipts

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[1] Gramm-Rudman-Hollings exempts Social Security from budget reductions designed to achieve the maximum deficit amounts in the law, but includes Social Security revenues and spending in setting those maximum deficit amounts.

Appendix IV

EXAMPLE OF SPENDING BY BUDGET FUNCTION

The Congress hereby determines and declares that the appropriate levels of budget authority and budget outlays, and the appropriate levels of new direct loan obligations, new primary loan guarantee commitments, and new secondary loan guarantee commitments for fiscal years 1988 through 1990 for each major functional category are:

(1) National Defense (050):

Fiscal year 1988:

(A) New budget authority, $296,000,000,000.
(B) Outlays, $289,500,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $303,700,000,000.
(B) Outlays, $292,300,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $311,000,000,000.
(B) Outlays, $299,200,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

(2) International Affairs (150):

Fiscal year 1988:

(A) New budget authority, $16,200,000,000.
(B) Outlays, $16,100,000,000.
(C) New direct loan obligations, $6,700,000,000.
(D) New primary loan guarantee commitments, $9,100,000,000.
(E) New secondary loan guarantee commitments, $300,000,000.

Fiscal year 1989:

(A) New budget authority, $21,700,000,000.
(B) Outlays, $15,250,000,000.
(C) New direct loan obligations, $7,000,000,000.
(D) New primary loan guarantee commitments, $9,450,000,000.
(E) New secondary loan guarantee commitments, $300,000,000.

Fiscal year 1990:

(A) New budget authority, $18,450,000,000.
(B) Outlays, $15,200,000,000.
(C) New direct loan obligations, $7,200,000,000.
(D) New primary loan guarantee commitments, $9,900,000,000.
(E) New secondary loan guarantee commitments, $300,000,000.

(3) General Science, Space, and Technology (250):

Fiscal year 1988:

(A) New budget authority, $11,300,000,000.
(B) Outlays, $11,100,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $13,500,000,000.

(B) Outlays, $13,000,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:
(A) New budget authority, $15,000,000,000.
(B) Outlays, $14,600,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Appendix V

EXAMPLE OF RECONCILIATION INSTRUCTIONS

RECONCILIATION

SEC. 4. (a) Not later than July 28, 1987, the committees named in subsections (b) through (s) of this section shall submit their recommendations to the Committee on the Budget of their respective Houses. After receiving those recommendations, the Committees on the Budget shall report to the House and Senate a reconciliation bill or resolution or both carrying out all such recommendations without any substantive revision.

SENATE COMMITTEES

(b) The Senate Committee on Agriculture, Nutrition, and Forestry shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination, thereof, sufficient to increase contributions and reduce budget authority and outlays as follows: $7,218,000,000 in contributions, $1,330,000,000 in budget authority and $1,330,000,000 in outlays in fiscal year 1988, $788,000,000 in contributions, $1,730,000,000 in budget authority and $1,730,000,000 in outlays in fiscal year 1989, and $788,000,000 in contributions, $2,778,000,000 in budget authority and $2,778,000,000 in outlays in fiscal year 1990.

(c) The Senate Committee on Banking, Housing, and Urban Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $200,000,000 in budget authority and $200,000,000 in outlays in fiscal year 1988, $200,000,000 in budget authority and $200,000,000 in outlays in fiscal year 1989, and $200,000,000 in budget authority and $200,000,000 in outlays in fiscal year 1990.

(d) The Senate Committee on Commerce, Science, and Transportation shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $394,000,000 in budget authority and $376,000,000 in outlays in fiscal year 1988, $394,000,000 in budget authority and $391,000,000 in outlays in fiscal year 1989, and $94,000,000 in budget authority and $93,000,000 in outlays in fiscal year 1990.

(e) The Senate Committee on Energy and Natural Resources shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $170,000,000 in budget authority and $170,000,000 in outlays in fiscal year 1988, $280,000,000 in budget authority and $280,000,000 in outlays in fiscal year 1989, and $280,000,000 in budget authority and $280,000,000 in outlays in fiscal year 1990.

Appendix VI

EXAMPLE OF SENATE COMMITTEE CROSSWALKS

REVISED BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT FOR 1988

[In millions of dollars]

Committees	Direct spending jurisdiction		Entitlements funded in annual appropriations	
	Budget authority	Outlays	Budget authority	Outlays
Appropriations	586,140	593,475	0	0
Agriculture, Nutrition, and Forestry	26,285	28,919	(18,723)	4,425
Armed Services	44,256	30,359	161	161
Banking, Housing, and Urban Affairs	6,567	3,639	0	0
Commerce, Science, and Transportation	1,933	150	393	393
Energy and Natural Resources	1,302	875	28	28
Environment and Public Works	14,839	777	6	6
Finance	602,543	547,088	57,614	57,650
Foreign Relations	7,304	7,247	0	0
Governmental Affairs	63,684	40,136	0	0
Judiciary	1,701	786	98	98
Labor and Human Resources	3,184	2,546	4,038	4,611
Rules and Administration	82	262	0	0
Small Business	43	0	0	0
Veterans' Affairs	1,558	1,234	15,235	15,244
Select Indian Affairs	531	413	0	0
Not allocated to committees	(208,750)	(217,106)	0	0
Total	1,153,202	1,040,800	58,850	82,616

Appendix VII

BUDGET PROCESS TIMETABLE: FISCAL YEARS 1989–1993

January 1	Date from which deficit reduction is measured.
First Monday after January 3	President submits budget to Congress.
February 15	CBO issues annual report to Budget Committees.
February 25	Committees submit views and estimates to Budget Committees.
April 1	Senate Budget Committee reports budget resolution.
April 15	Congress completes budget resolution.
May 15	Appropriations bills may be considered in the House.
June 10	House Appropriations Committee reports last annual appropriation bill.
June 15	Congress completes reconciliation.
June 30	House completes action on annual appropriation bills.
July 15	President submits mid-session budget report.
August 15	OMB and CBO estimate deficit for upcoming fiscal year. Presidential notification regarding military personnel.
August 20	CBO issues its initial report to OMB and Congress.
August 25	OMB issues its initial report to President and Congress. President issues initial sequester order.
September 6	Deadline for President's explanatory message on initial order.
October 1	Fiscal year begins.
October 10	CBO submits revised report to OMB and Congress.
October 15	OMB issues its revised report to President and Congress. President issues final sequester order, effective immediately.
October	Congressional alternative to presidential order, if any, developed and adopted.
October 30	Deadline for President's explanatory message on final order.
November 15	Comptroller General compliance report issued.

Appendix VIII

SPECIAL RULES FOR TREATMENT OF PROGRAMS

(For additional explanation of special rules, see the conference report on Gramm-Rudman-Hollings, House Report 99–433, pp. 48–59, 85–95 and the conference report on the 1987 Reaffirmation Act, House Report 100–313)

Special Rules by Program

Social Security and Railroad Retirement Tier I

—Social security and railroad retirement tier I benefits and cost-of-living adjustments are exempt from reduction under Gramm-Rudman-Hollings.

—Social security revenues and outlays are excluded from the President's and Congress' budget totals. However, social security revenues and outlays are figured into the total budget figures for fiscal years 1986 through 1991 for purposes of calculating the deficits under Gramm-Rudman-Hollings.

Medicare

—Reductions in the medicare program are achieved through reductions in payments for covered services. No changes in co-insurance or deductibles are made, and covered services are unaffected under a presidential reduction order.

—Under a presidential reduction order, each payment made under the medicare program would be reduced by a maximum of 2 percent. If the excess deficit is small enough so that the uniform reduction is less than 2 percent, all non-exempt non-defense programs are reduced by that uniform percentage.

Community Health Centers; Migrant Health Centers; Indian Health Facilities; Indian Health Services; Veterans Medical Care

Reductions in these health programs are limited to 2 percent below the levels they would otherwise receive in any fiscal year.

Commodity Credit Corporation

—Payments and loan eligibility under any contract entered into after a presidential reduction order has been issued for a fiscal year are subject to a percentage reduction.

—Outlay reductions in the following year that are the result of contract adjustments in the reduction year are counted toward overall outlay reduction required in the reduction year.

—Appropriations for CCC net realized losses are not subject to reduction.

Guaranteed Student Loans

Two changes to the guaranteed student loan program are to occur automatically under a presidential reduction order. First, the special statutory allowance factor

for lenders is to be reduced by 0.40 percent, but not below 3.00 percent, in the first year of the loan. Second, a student's origination fee is to increase by 0.50 percent. In both cases, the reduction is to affect only loans made during the applicable fiscal year *after* the order is issued.

Child Support Enforcement

Outlays for the child support enforcement program are available for reduction only by reducing the Federal matching rate for State administrative expenses.

Foster Care and Adoption Assistance Programs

The amounts available for reduction in the foster care and adoption assistance programs are limited to increases in foster care maintenance payment rates or adoption assistance payment rates and only to the extent that the reduction can be made by reducing Federal matching payments by a uniform percentage.

Unemployment Programs

Regular State unemployment benefits, the State share of extended unemployment benefits, benefits paid for former Federal employees and former members of the armed services, and loans and advances to the State and Federal unemployment accounts are *not* available for reduction. However, the Federal share of extended benefits and federally paid benefits and administrative expenses are fully available for reduction.

Mine Worker Disability

Increases in black lung benefits and special benefits for disabled coal miners are treated in the same manner as automatic spending increases.

Federal Pay

—Rates of pay for civilian employees (and rates of basic pay, basic subsistence allowances and basic quarters allowances for members of the uniformed services) may *not* be reduced by a presidential reduction order.

—A scheduled pay increase may *not* be reduced by a presidential reduction order.

Federal Administrative Expenses

—Administrative or operating expenses of all the departments and agencies, including self-financed programs, are subject to reduction, unless specifically exempted.

—Payments made to reimburse administrative costs incurred by State or local governments (such as for AFDC and Medicaid) are not considered Federal administrative expenses; however, State administrative costs for a program may be reduced to the extent the program is reduced.

Deferrals

Deferrals proposed between October 1 of a fiscal year and October 15 of such fiscal year are not to be taken into account in determining the budget base.

Automatic Spending Increases Subject to Reduction

Any automatic spending increases that would be first paid between October 1 and October 15 of an applicable fiscal year are suspended until October 15 of such fiscal year. If the October 15 presidential order provides for elimination of the increases, the suspended increases will be canceled. If the increases are only partially reduced, the suspended increases will be restored to the allowed amount and lump-sum reimbursements will be made, to the extent necessary.

Prior Legal Obligations Exempt From Sequestration

Gramm-Rudman-Hollings provides that obligated balances are *not* subject to reduction under a presidential reduction order.

Exempt Programs

(Except for administrative or operating expenses, the following programs are exempt from reduction under Gramm-Rudman-Hollings. Programs are identified by the designated budget account identification code numbers set forth in the Budget of the United States, 1986—Appendix):

Social security benefits and tier I railroad retirement benefits.

Veterans' compensation (36-0153-0-1-701).

Veterans' pensions (36-0154-0-1-701).

National Service Life Insurance Fund (36-8132-0-7-701).

Service-Disabled Veterans Insurance Fund (36-4012-0-3-701).

Veterans Special Life Insurance Fund (36-8455-0-8-701).

Veterans Reopened Insurance Fund (36-4010-0-3-701).

United States Government Life Insurance Fund (36-8150-0-7-701).

Veterans Insurance and Indemnity (36-0120-0-1-701).

Special Therapeutic and Rehabilitation Activities Fund (36-4048-0-3-703).

Veterans' Canteen Service Revolving Fund (36-4014-0-3-705).

Benefits under chapter 21 of title 38, United States Code, relating to specially adapted housing and mortgage-protection life insurance for certain veterans with service-connected disabilities (36-0137-0-1-702).

Benefits under section 907 of title 38, United States Code, relating to burial benefits for veterans who die as a result of service-connected disability (36-0155-0-1-701).

Benefits under chapter 39 of title 38, United States Code, relating to automobiles and adaptive equipment for certain disabled veterans and members of the Armed Forces (36-0137-0-1-702).

Net interest.

Earned income tax credit.

Offsetting receipts and collections.

Aid to families with dependent children (75-0412-0-1-609).

Child nutrition (12-3539-0-1-605).

Commodity Supplemental Food Program (12-3512-0-1-605).

Food stamps (12-3505-0-1-605 and 12-3550-0-1-605).

Grants to States for medicaid (75-0512-0-1-551).

Supplemental security income (75-0406-0-1-609).

Women, infants, and children program (12-3510-0-1-605).

Activities resulting from private donations, bequests, or voluntary contributions to the Government.

Administration of Territories, Northern Mariana Islands Covenant grants (14-0412-0-1-806).

Thrift Savings Fund (26-8141-0-7-602).

Alaska Power Administration, operations and maintenance (89-0304-0-1-271).

Appropriations for the District of Columbia (to the extent they are appropriations of locally raised funds).

Bonneville Power Administration fund and borrowing authority established pursuant to section 13 of Public Law 93–454 (1974), as amended (89–4045–0–3–271).

Bureau of Indian Affairs, miscellaneous payments to Indians (14–2303–0–1–452).

Bureau of Indian Affairs miscellaneous trust funds, tribal trust funds (14–9973–0–7–999).

Claims, defense (97–0102–0–1–051).

Claims, judgments, and relief acts (20–1895–0–1–806).

Coinage profit fund (20–5811–0–2–803).

Compensation of the President (11–0001–0–1–802).

Comptroller of the Currency.

Customs Service, miscellaneous permanent appropriations (20–9922–0–2–852).

Dual benefits payments account (60–0111–0–1–601).

Eastern Indian land claims settlement fund (14–2202–0–1–806).

Exchange stabilization fund (20–4444–0–3–155).

Federal Deposit Insurance Corporation.

Federal Home Loan Bank Board.

Federal Savings and Loan Insurance Corporation.

Federal payment to the railroad retirement account (60–0113–0–1–601).

Foreign military sales trust fund (11–8242–0–7–155).

Health professions graduate student loan insurance fund (health education assistance loan program) (75–4305–0–3–553).

Higher education facilities loans and insurance (91–0240–0–1–502).

Internal Revenue Collections for Puerto Rico (20–5737–0–2–852).

Intragovernmental funds, including those from which the outlays are derived primarily from resources paid in from other government accounts, except to the extent such funds are augmented by direct appropriations for the fiscal year during which an order is in effect.

Medical facilities guarantee and loan fund, Federal interest subsidies for medical facilities (75–4430–0–3–551).

National Credit Union Administration, its central liquidity facility, and its credit union share insurance fund.

Panama Canal Commission, operating expenses (95–5190–0–2–403), and Panama Canal Commission, capital outlay (95–5190–0–2–403).

Payment of Vietnam and *USS Pueblo* prisoner-of-war claims (15–0104–0–1–153).

Payment to civil service retirement and disability fund (24–0200–0–1–805).

Payments to copyright owners (03–5175–0–2–376).

Payments to health care trust funds (75–0580–0–1–572).

Payments to military retirement fund (97–0040–0–1–054).

Compact of Free Association, economic assistance pursuant to Public Law 99–658 (14–0415–0–1–806).

Payments to social security trust funds (75–0404–0–1–571).

Payments to State and local government fiscal assistance trust fund (20–2111–0–1–851).

Payments to the foreign service retirement and disability fund (11-1036-0-1-153 and 19-0540-0-1-153).

Payments to trust funds from excise taxes or other receipts properly creditable to such trust funds.

Payments to the United States territories, fiscal assistance (14-0418-0-1-852).

Payments to widows and heirs of deceased Members of Congress (00-0215-0-1-801).

Postal service fund (18-4020-0-3-372).

Salaries of Article III judges.

Soldiers and Airmen's Home, payment of claims (84-8930-0-7-705).

Southeastern Power Administration, operations and maintenance (89-0302-0-1-271).

Southwestern Power Administration, operations and maintenance (89-0303-0-1-271).

Tennessee Valley Authority fund, except non-power programs and activities (64-4110-0-3-999).

Washington Metropolitan Area Transit Authority, interest payments (40-0300-0-1-401).

Western Area Power Administration, construction, rehabilitation, operations, and maintenance (89-5068-0-2-271).

Western Area Power Administration, Colorado River basins power marketing fund (89-4452-0-3-271).

Black lung benefits (20-8144-0-7-601).

Central Intelligence Agency retirement and disability system fund (56-3400-0-1-054).

Civil service retirement and disability fund (24-8135-0-7-602).

Comptrollers general retirement system (05-0107-0-1-801).

Foreign service retirement and disability fund (19-8186-0-7-602).

Judicial survivors' annuities fund (10-8110-0-7-602).

Longshoremen's and harborworkers' compensation benefits (16-9971-0-7-601).

Military retirement fund (97-8097-0-7-602).

National Oceanic and Atmospheric Administration retirement (13-1450-0-1-306).

Pensions for former Presidents (47-0105-0-1-802).

Railroad retirement tier II (60-8011-0-7-601).

Retired pay, Coast Guard (69-0241-0-1-403).

Retirement pay and medical benefits for commissioned officers, Public Health Service (75-0379-0-1-551).

Special benefits, Federal Employees' Compensation Act (16-1521-0-1-600).

Special benefits for disabled coal miners (75-0409-0-1-601).

Tax Court judges survivors annuity fund (23-8115-0-7-602).

Appendix IX

CALCULATING UNIFORM PERCENTAGE REDUCTIONS

Gramm-Rudman-Hollings requires—under certain circumstances—uniform percentage reductions to defense and non-defense programs, projects, and activities. Following is an explanation of how such uniform percentage reductions would be calculated.

The first step in calculating a required uniform percentage reduction is to determine the total amount of outlays available for reduction. In the case of both defense and non-defense programs, outlays from obligations incurred in prior years are not available for sequestration. In the case of *defense* programs, outlays that result from new budget authority and unobligated balances of prior-year budget authority are available for sequestration. In the case of *non-defense* programs, outlays that result from new budget authority, new loan guarantee commitments, new direct loan obligations, obligation limitations, and entitlement and other spending authority are available for sequestration (unless specifically exempted). Notice that for non-defense programs, outlays resulting from unobligated balances are not available for sequestration.

The second step is to calculate the required uniform percentage reductions by dividing the amount of outlays required to be sequestered (see "Deficit Reduction Formula" on page 7) by the amount of outlays available for sequestration. This calculation is done separately for defense programs and non-defense programs. Because of the application of special rules and because the base for sequestration will not be the same in both cases, the uniform reduction percentages for defense and non-defense programs are likely to be different.

The final step in calculating uniform percentage reductions is to apply the percentages to the programs. In the case of defense programs, new budget authority and unobligated balances (if any) would be reduced by the uniform percentage reduction calculated for defense programs. In the case of non-defense programs, new budget authority, new loan guarantee commitments, new direct loan obligations, obligation limitations, and entitlement and other spending authority would be reduced by the uniform percentage reduction for non-defense programs. For both defense and non-defense programs that receive annual appropriations, the uniform reductions would be applied below the account level to programs, projects, and activities where such detail is specified in appropriation acts or Appropriations Committee reports. Where such detail is not provided, the uniform percentage reductions would be applied to budget accounts. In the case of programs not annually appropriated, the uniform percentage reductions would be applied to budget account activities as specified in the President's budget for that fiscal year.

If a short-term continuing resolution is in effect when a sequester order is issued, then for each account, the sequester amount, as determined by the sequester order, is pro-rated for the period covered by the continuing resolution. These funds are withheld, but not permanently cancelled. Subsequent short-term continuing resolutions during the year, if enacted, are subject to the same pro-rated sequestration procedure. The total amount withheld under short-term continuing resolutions shall apply toward the total amount sequestered once a full-year appropriations measure is enacted. If the full-year appropriations measure appropriates at a level lower than the budget baseline for an individual account, then the amount sequestered for that account is reduced by the amount by which that appropriation is below the budget baseline. This means that the final amount of funds available for an individual account, following enactment of a full-year appropriation (including a full-year continuing resolution) and implementation of the sequester, shall not be, as a result of the sequester, less than the budget baseline amount minus the sequester amount for that account as specified in the final order.

Appendix X

BUDGET ACT POINTS OF ORDER IN THE SENATE

Section	Description	Waiver requirement	Application
301(i)	Prohibits consideration of budget resolution, amendments thereto, or conference report thereon, that contains deficit in excess of maximum deficit amount. (also applies to revised budget resolution via sec. 304(b)).	Three-fifths	Budget resolution. Amendments. Conference report.
302(c)	Prohibits consideration of a committee's legislation until that committee has filed its sec. 302(b) report.	Three-fifths	Bill. Resolution. Amendments.
302(f)(2)	Prohibits consideration of legislation providing budget authority or outlays in excess of committee's sec. 302(b) report.	Three-fifths	Bill. Resolution. Amendments. Conference report.
303(a)	Prohibits legislation providing new budget authority, change in revenues, change in public debt, new entitlement authority, or new credit authority for a fiscal year until the budget resolution for that year has been agreed to.	Majority	Bill. Resolution. Amendments. Conference report (by precedent of Apr. 10, 1978).
304(b)	See section 301(i)	Three-fifths	Revised Budget Resolution. Amendments. Conference report.
305(b)(2)	Prohibits nongermane amendments to budget resolution (also applies to reconciliation bills via sec. 310(e)(1)).	Three-fifths	Amendments.
305(e)	Prohibits consideration of budget resolution, or conference report thereon, that is not mathematically consistent.	Majority	Budget resolution. Conference report.
306	Prohibits consideration of legislation within Budget Committee's jurisdiction, unless the Budget Committee reported it.	Three-fifths	Bill. Resolution. Amendments.
310(d)(2)	Prohibits amendments to reconciliation bills that are not deficit neutral.	Three-fifths	Amendments.
310(e)(1)	See section 305(b)(2)	Three-fifths	Amendments.
310(g)	Prohibits consideration of reconciliation legislation that recommends changes in social security.	Three-fifths	Bill. Resolution. Amendments. Conference report.
311(a)	Prohibits consideration of legislation that would exceed outlay ceiling or revenue floor, or would cause deficit to exceed maximum deficit amount.	Three-fifths	Bill. Resolution. Amendments. Conference report.

Section	Description	Waiver requirement	Application
401(a)	Prohibits consideration of legislation providing new contract authority or new borrowing authority that is not limited to appropriations.	Majority	Bill. Resolution. Amendments. Conference report.
401(b)(1)	Prohibits consideration of legislation providing new entitlement authority that becomes effective during the fiscal year that ends in the calendar year in which the bill is reported.	Majority	Bill. Resolution. Amendments.
402	Prohibits consideration of legislation providing new credit authority that is not limited to appropriations.	Majority	Bill. Resolution. Amendments. Conference report.

Appendix XI

TERMS USED IN THE CONGRESSIONAL BUDGET PROCESS

Note: This is intended to be a glossary of only the most common terms used in the congressional budget process. For a complete glossary, see "A Glossary of Terms Used in the Federal Budget Process" published by the U.S. General Accounting Office.

Aggregate Required Outlay Reductions

The total amount of outlays to be sequestered in a given fiscal year.

Appropriation Act

A statute, under the jurisdiction of the House and Senate Appropriations Committees, that generally provides authority for Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriation act is the most common means of providing budget authority. Currently there are 13 regular appropriation acts for each fiscal year. From time to time, Congress also enacts supplemental appropriation acts. (*See* "Appropriations" under Budget Authority; Continuing Resolution; Supplemental Appropriation.)

Authorizing Committee

A committee of the House or Senate with legislative jurisdiction over laws that set up or continue the operations of Federal programs and provide the legal basis for making appropriations for those programs. Authorizing committees also have direct control over spending for entitlement programs since the Government's obligation to make payments for such programs is contained in the authorizing legislation. (*See* Entitlements.)

Authorizing Legislation

Legislation enacted by Congress that sets up or continues the operation of a Federal program or agency indefinitely or for a specific period of time. Authorizing legislation may place a cap on the amount of budget authority which can be appropriated for a program or may authorize the appropriation of "such sums as are necessary." (*See* Budget Authority; Entitlements.)

Budget Authority

The authority Congress gives to Government agencies, permitting them to enter into obligations which will result in immediate or future outlays, except that budget authority does not include authority to insure the repayment of loans held by another person or government.

Budget authority may be classified in several ways. It may be classified by the form it takes: appropriations, borrowing authority, or contract authority. Budget authority may also be classified by the determination of amount: definite authority or indefinite authority. Finally, budget authority may be classified by the period of availability: 1-year authority, multi-year authority, or no-year authority (available until used).

Forms of Budget Authority

APPROPRIATIONS.—An act of Congress that permits Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriations act is the most common means of providing budget authority.

BORROWING AUTHORITY.—Statutory authority that permits a Federal agency to incur obligations and to make payments for specified purposes out of money borrowed from the Treasury, the Federal Financing Bank, or the public. The Budget Act in most cases requires that new authority to borrow must be approved in advance in an appropriation act.

CONTRACT AUTHORITY.—Statutory authority that permits a Federal agency to enter into contracts in advance of appropriations. Under the Budget Act, most new authority to contract must be approved in advance in an appropriation act.

Determination of Amount

DEFINITE AUTHORITY.—The dollar amount of budget authority is contained in the law.

INDEFINITE AUTHORITY.—The dollar amount of budget authority is not contained in the law; instead the law would provide "such sums as may be necessary."

Period of Availability

ONE-YEAR AUTHORITY.—Budget authority that is available for obligation only during a specified fiscal year.

MULTI-YEAR AUTHORITY.—Budget authority that is available for a specified period of time in excess of 1 fiscal year.

NO-YEAR AUTHORITY.—Budget authority that remains available for obligations for an indefinite period of time (until the objectives for which the authority was made available are attained).

Budget Baseline

Projected Federal spending, revenue and deficit levels based on the assumption that current policies will continue unchanged for the upcoming fiscal year. In determining the budget baseline under Gramm-Rudman-Hollings, the Directors of OMB and CBO shall estimate revenue levels and spending levels for entitlement programs based on continuation of current laws. For estimating discretionary spending amounts (both defense and non-defense), the Directors shall assume an adjustment for inflation (GNP deflator) added to the previous year's discretionary spending levels. The baseline should include sufficient appropriations to cover a Federal pay raise (without absorption). These estimates are used to determine whether required annual deficit reduction has been achieved and, if it has not been achieved, the amount and percentage by which defense and non-defense outlays must be cut to meet the annual deficit reduction level.

Budget Deficit

The amount by which the Government's outlays exceed its revenues for a given fiscal year. (*See* Outlays; Revenues.)

Budget Resolution

A resolution passed by both chambers of Congress setting forth, reaffirming, or revising the congressional budget for the U.S. Government for a fiscal year. A budget resolution is a concurrent resolution of Congress. Concurrent resolutions do not require a presidential signature because they are not laws. Budget resolutions do not need to be laws because they are a legislative device for the Congress to regulate itself as it works on spending and revenue bills.

The budget resolution for the upcoming fiscal year is to be adopted by the Congress by April 15. Additional concurrent resolutions revising the previously established budget levels may be adopted by Congress at any time before the end of the fiscal year. It is the usual practice for Congress to revise budget levels for the current fiscal year as part of the budget resolution for the upcoming fiscal year.

Budget Surplus

The amount by which the Government's revenues exceed its outlays for a given fiscal year. (*See* Outlays; Revenues.)

Congressional Budget

(*See* Budget Resolution.)

Continuing Resolution

Appropriations legislation enacted by Congress to provide temporary budget authority for Federal agencies to keep them in operation when their regular appropriation bill has not been enacted by the start of the fiscal year. A continuing resolution is a joint resolution, which has the same legal status as a bill.

A continuing resolution frequently specifies a maximum rate at which obligations may be incurred, based on the rate of the prior year, the President's budget request, or an appropriation bill passed by either or both chambers of the Congress.

A continuing resolution is a form of appropriation act and should not be confused with the budget resolution.

Credit Authority

Authority to incur direct loan obligations or to incur primary loan guarantee commitments. Under the Budget Act, new credit authority must be approved in advance in an appropriation act.

Crosswalk

Also know as "committee allocation" or "section 302 allocation." The means by which budget resolution spending totals are translated into guidelines for committee action on spending bills. The Budget Committees allocate the budget resolution totals among the committees by jurisdiction. Those committees, in turn, subdivide their allocations among their subcommittees or programs. Crosswalk allocations to the committees appear initially in Budget Committee reports on the budget resolution and finally in the joint explanatory statement accompanying a conference report on the budget resolution.

Current Services Budget

A section of the President's budget, required by the Budget Act, that sets forth the level of spending or taxes that would occur if existing programs and policies were continued unchanged through the fiscal year and beyond, with all programs adjusted for inflation so that existing levels of activity are maintained. (*See* Baseline.)

Deferral of Budget Authority

An action by the executive branch that delays the obligation of budget authority beyond the point it would normally occur. Pursuant to the Congressional Budget and Impoundment Control Act of 1974, the President must provide advanced notice to the Congress of any proposed deferrals. A deferral may not extend beyond the end of the fiscal year in which the President's message proposing the deferral is made. Congress may overturn a deferral by passing a law disapproving the deferral. (*See* Impoundment Resolution.)

Entitlements

Programs that are set up in a way that obligates the U.S. Government to make specific payments to qualified recipients.

Excess Deficit

The amount by which the projected baseline deficit for a fiscal year exceeds the maximum deficit amount (deficit target) for that fiscal year. The amount of excess deficit, as estimated by OMB, will be the outlay amount eliminated through the President's sequester order, with some exceptions. (For fiscal years 1988 and 1989, *see* Unachieved Deficit Reduction.)

Expenditures

(*See* Outlays.)

Federal Debt

Consists of all Treasury and agency debt issues outstanding.

Fiscal Policy

Federal Government policies with respect to taxes, spending, and debt management intended to promote the nation's macroeconomic goals, particuiarly with respect to employment, gross national product, price level stability, and equilibrium in balance of payments. The budget process is a major vehicle for determining and implementing Federal fiscal policy. The other major component of Federal macroeconomic policy is monetary policy. (*See* Monetary Policy.)

Fiscal Year

A fiscal year is a 12-month accounting period. The fiscal year for the Federal Government begins on October 1 and ends on September 30. The fiscal year is designated by the calendar year in which it ends; for example, fiscal year 1986 is the year beginning October 1, 1985, and ending September 30, 1986.

Functional Classification

A system of classifying budget resources by major purpose so that budget authority, outlays, and credit activities can be related in terms of the national needs being addressed (for example, national defense, health) regardless of the agency administering the program. A function may be divided into two or more subfunctions depending upon the complexity of the national need addressed by that function. (*See* Budget Authority; Outlays).

Impoundment

A generic term referring to any action or inaction by an officer or employee of the U.S. Government that precludes the obligation or expenditure of budget authority in the manner intended by Congress. (*See* Deferral of Budget Authority; Rescission of Budget Authority.)

Impoundment Resolution

Section 1013(b) of the Congressional Budget and Impoundment Control Act of 1974 previously permitted either chamber of Congress to adopt an impoundment resolution to veto a deferral of budget authority proposed by the administration. In 1983, however, the Supreme Court held that a one-House legislative veto is unconstitutional because it constitutes a legislative action without having been passed by both chambers of Congress and signed into law by the President. (*See INS* v. *Chadha*, 462 U.S. 919 (1983).) As a result, Congress now disapproves deferrals in appropriations laws.

Mark-Up

Meetings where congressional committees work on the language of bills or resolutions. At Budget Committee mark-ups, the House and Senate Budget Committees work on the language and numbers contained in budget resolutions.

Maximum Deficit Amount

The fixed deficit target for a fiscal year that may not be exceeded by the projected budget deficit for that fiscal year (FY 1990–FY 1993 only). In FY 1988, $23 billion in deficit reduction must be achieved regardless of the fixed target. In FY 1989, the deficit must be reduced to the fixed target or by $36 billion below the budget baseline, whichever is easier. A $10 billion cushion is allowed in FY 1988 through FY 1992, but not in FY 1993.

Monetary Policy

Management of the money supply, under the direction of the Board of Governors of the Federal Reserve System, with the aim of achieving price stability and full employment. Government actions in guiding monetary policy, include currency re-

valuation, credit contraction or expansion, rediscount policy, regulation of bank reserves and the purchase and sale of Government securities. (*See* Fiscal Policy.)

Net Deficit Reduction

Savings below the defined budget baseline achieved for the upcoming fiscal year because of laws enacted or final regulations promulgated since January 1. CBO and OMB independently estimate these savings in their initial and final sequester reports.

Offsetting Receipts

Income from the public that results from sale of products or services rendered (such as sale of timber from Federal lands or entrance fees for national parks). Offsetting receipts are deducted from total budget authority and outlays rather than added to Federal revenues even though they are deposited in the Treasury as miscellaneous receipts.

Outlays

Outlays are disbursements by the Federal Treasury in the form of checks or cash. Outlays flow in part from budget authority granted in prior years and in part from budget authority provided for the year in which the disbursements occur.

The term "expenditures" is frequently used interchangeably with the term outlays. (*See* Budget Authority.)

Outlay Rates

The ratio of outlays (actual government disbursements) in a fiscal year relative to new budgetary resources in that fiscal year. In estimating the budget baseline and baseline deficit for their sequestration reports, CBO and OMB use outlay rates for projecting levels of spending resulting from available budget authority. Under Gramm-Rudman-Hollings, OMB is required, for fiscal years 1989 to 1993, to use aggregate outlay rates for defense and non-defense programs that do not deviate by more than 0.5 percent from the aggregate outlay rates used in the previous year's sequestration report.

President's Budget

The document sent to Congress by the President in January or February of each year, requesting new budget authority for Federal programs and estimating Federal revenues and outlays for the upcoming fiscal year.

Revenues

Collections from the public arising from the Government's sovereign power to tax. Revenues include individual and corporate income taxes, social insurance taxes (such as social security payroll taxes), excise taxes, estate and gift taxes, customs duties, and the like.

Reconciliation Process

A process in which Congress includes in a budget resolution "reconciliation instructions" to specific committees, directing them to report legislation which changes *existing* laws, usually for the purpose of decreasing spending or increasing revenues by a specified amount by a certain date. The reported legislation is then considered as a single "reconciliation bill."

Gramm-Rudman-Hollings provides for an accelerated form of reconciliation in the Senate as a method for developing a congressional alternative to a presidential reduction order.

Rescission of Budget Authority

Cancellation of budget authority before the time when the authority would otherwise cease to be available for obligation. The rescission process begins when the President proposes a rescission to the Congress for fiscal or policy reasons. Unlike the deferral of budget authority which occurs *unless* Congress acts to disapprove the deferral, rescission of budget authority occurs *only if* Congress acts within 45 days

of continuous session to enact the rescission. (*See* Deferral of Budget Authority; Impoundment.)

Scorekeeping

Procedures for tracking the status of congressional budgetary actions. Scorekeeping data published by the Congressional Budget Office include status reports on the effects of congressional actions and comparisons of these actions to targets and ceilings set by Congress in budget resolutions.

Sequester

That element of a presidential spending reduction order that occurs by reducing defense and non-defense spending by uniform percentages.

Sequestrable Resource

Federal funding authority (budgetary resources) subject to reductions under a presidential sequester order for achieving required outlay reductions (in non-exempt programs).

Supplemental Appropriation

An act appropriating funds in addition to those in the 13 regular annual appropriation acts. Supplemental appropriations provide additional budget authority beyond the original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) in cases where the need for funds is too urgent to be postponed until enactment of the next regular appropriation bill. (*See* Appropriation Act.)

Tax Expenditures

Revenue losses attributable to a special exclusion, exemption, or deduction from gross income or to a special credit, preferential rate of tax, or deferral of tax liability.

Unachieved Deficit Reduction

The amount of additional savings needed to reduce the deficit by a total of $23 billion in fiscal year 1988 and $36 billion in fiscal year 1989 below the defined budget baseline for that fiscal year. The amount of unachieved deficit reduction, as estimated by OMB, will be the outlay amount sequestered in the President's final order in fiscal year 1988 and fiscal year 1989. In fiscal year 1989, the amount of unachieved deficit reduction will not be sequestered if the deficit is reduced to within $10 billion of the fixed target of $136 billion. (For fiscal years 1990 through 1993, *see* Excess Deficit.)

Unified Budget

Describes the way the Federal budget is currently displayed. This display includes revenues and spending for all regular Federal programs and trust funds except social security, which was removed from budget totals beginning with fiscal year 1987. Prior to the creation of the unified budget in 1969, all trust funds were excluded from budget totals.

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